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**PACIFIC**  **TELESIS**  
Group-Washington

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October 12, 1995

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE**

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 95-115 - Subscribership and Usage of the Public Switched Network; RM-8159 - BETRS

Today, Colin Petheram, Consumer Affairs Director, Lifeline Service, Outreach, Pacific Telesis Group, Jackie Luzier, Director, Revenue Collection Management, CFO Financial Operations, Pacific Bell, Jeffrey B. Thomas, Senior Counsel, Legal Department, Pacific Bell, and I met with Todd Silbergeld, Legislative Assistant to Commissioner Barrett to discuss issues summarized in the two enclosed attachments. Please associate these with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

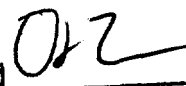
Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



cc: Todd Silbergeld

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# Strategies to Increase Telephone Subscribership

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Page 1  
10/12/95  
C.Petheram  
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## **Key Points**

- Retention of telephone service is the primary issue
- Low basic rates do not guarantee high penetration rates
- Innovative approaches needed by carriers at the state level to address specific needs of diverse market segments and state to state variations
- Customers need help managing their calls. Carriers are developing products and services to address this root cause of disconnection

# Telephone Subscribership

- Pacific Bell's overall subscribership rate is 95%  
(Current Population Survey)
- Pacific Bell's Lifeline Program is the largest in the country with 22% of residential customers subscribing
- Subscribership rates vary by income & ethnicity
- Size and diversity of California's non-English speaking communities drive extensive non-traditional advertising and outreach
- Pacific Bell's Education First program provides schools with initial ISDN connection and free first year service

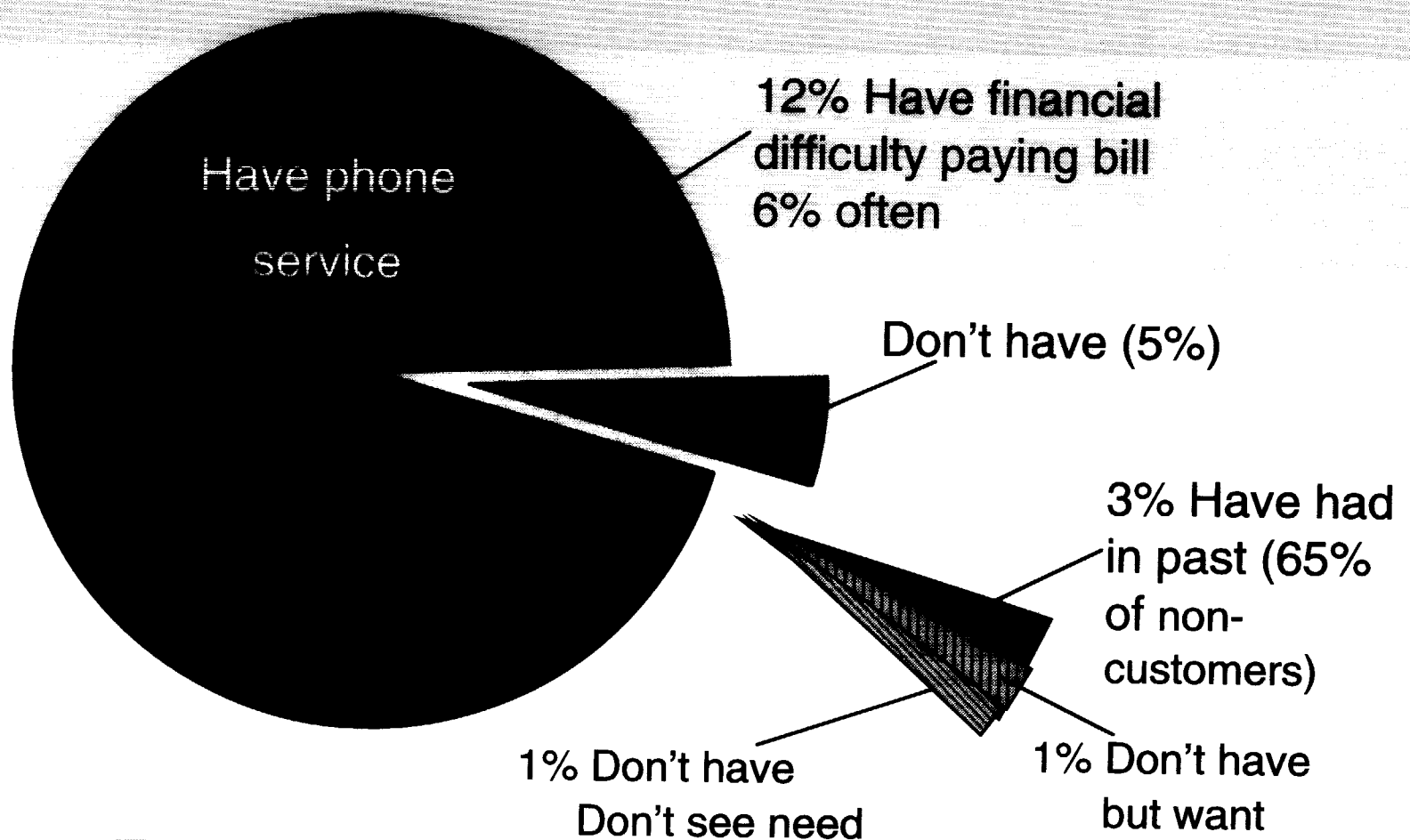
## **Affordability Study**

- Study addressed the affordability of service and why households are without telephone service
- Study completed by Pacific Bell & GTE-C at the request of the CPUC at a cost of \$1M. Research conducted by Field Research Corp

### **Conclusions:**

- Non-customers include many who have recently had service but lost it due to unpaid balance owed
- Non-customers are knowledgeable about how to get service and the cost of service
- To increase penetration rates in and out movement (retention) must be addressed

# Importance of Retention for Improving Penetration Rates





# **FOUR KEY BARRIERS TO INCREASING SUBSCRIBERSHIP**

- **Call Control**
- **Debt Management**
- **Mobility**
- **Unserved areas**

# **'AT RISK' CUSTOMERS/ NON CUSTOMERS HAVE DIFFICULTY CONTROLLING CALLS**

## **Alternative Solutions using Long Distance Restriction Services:**

- Toll Restriction/Toll Blocking
- Pre-paid Calling Cards
- Quick Dial Tone for Emergency Access
- Billed Number Screening
- Information Call Services Blocking
- Advance Notice on Toll



# TOLL RESTRICTION/TOLL BLOCKING

- Blocks customers from completing billable toll calls from their residence or business lines
- Form of security in lieu of deposit
- Types of calls completed:
  - ◆ Local calls, Zone 1 & 2
  - ◆ 800 Calls
  - ◆ 911, 611 and 411
- If imposed as a collection tool will have no associated cost to the customers for six months
- Toll blocking that is ordered as a product will have a recurring charge of \$2.00/month

# **'AT RISK' CUSTOMERS/ NON CUSTOMERS HAVE DIFFICULTY WITH DEBT MANAGEMENT**

## **Alternative Solutions:**

- Payment Arrangements
- Toll Restriction
- Pre-paid Calling Card
- Improved Customer Management processes

# **'AT RISK' CUSTOMERS/ NON CUSTOMERS ARE HIGHLY MOBILE**

## **Alternative Solutions:**

- Reduced installation rates; expand Link-Up assistance
- Innovative Voice Mail applications:
  - La Cooperativa Campesina
  - Weingart Center & Salvation Army trial
- Pre-paid Calling Cards
- Pagers

## **Extending Telephone Service to Unserved Areas**

- Pacific Bell supports BETRS\* having more spectrum.  
450 Mhz range currently shared with paging
  - Co-primary sharing by BETRS & air-to-ground radio telephone service
  - BETRS - own frequency block
- With expansion of BETRS, Subscriber Loop Carrier Systems could help serve more customers

BETRS - Basic Exchange Telecommunications Radio Service

## **Drawbacks of Prohibition on Disconnection of Local Service**

- Reduces the customer's responsibility for payment of account and incentive to utilize toll blocking. Likely that customers will ultimately default on local charges
- Net bad debt increases
- Cost of upgrading billing systems. Increased customer contact time
- LECs may lose billing for IECs therefore customers lose the consolidated bill format
- Some collect calls & interstate bill-to-third number calls can still be completed



## **Recommendations and Conclusions**

- We need flexibility to work with the state and community groups to continue to develop services that meet the needs of customers in California. Rely on competition to extent possible
- FCC should focus on root causes not effects. Prohibiting disconnect addresses effect. Toll Restriction addresses root cause
- Subscribership programs, where needed, should be targeted and compatible with market conditions i.e. explicit, broad-based, with competitively neutral funding e.g.Link-Up, schools



# ***Affordability of Telephone Service***

## ***A Survey of Customers and Non-Customers***

*conducted by*

**Field Research Corporation**

**PACIFIC**  **TELESIS**  
Group

*jointly funded by*

**GTE and Pacific Bell**

**Colin Petheram**  
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*mandated by*

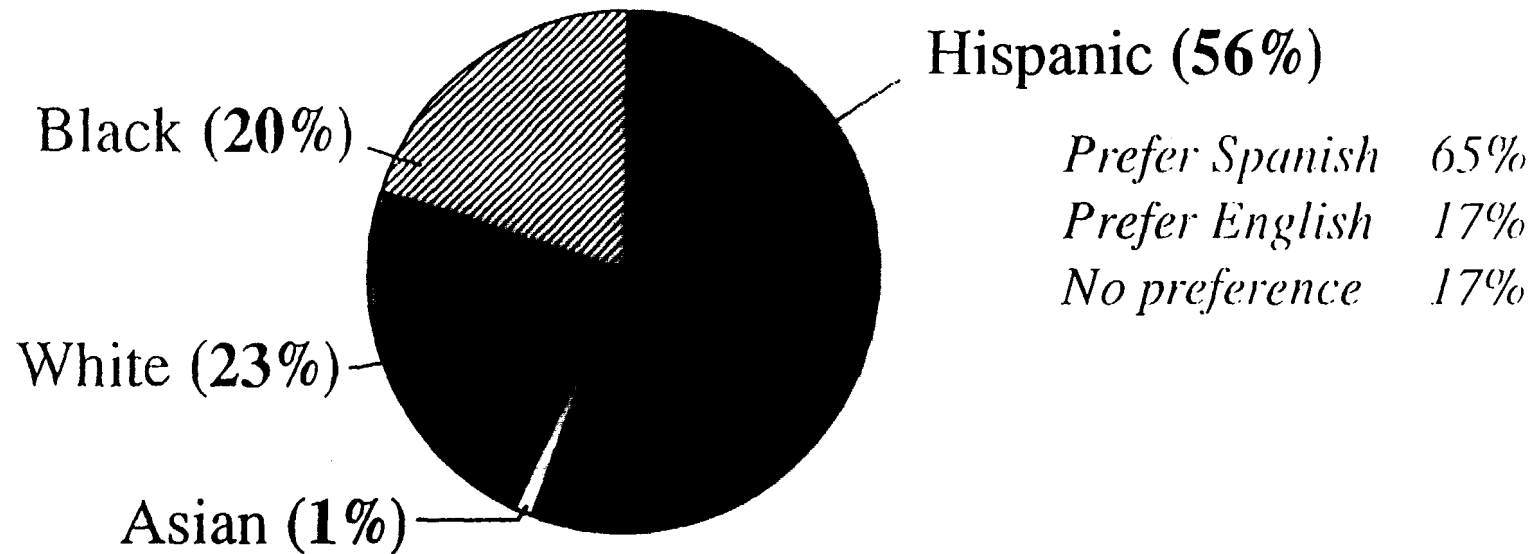
**California Public Utilities Commission**

|                   |   |               |
|-------------------|---|---------------|
| Leo Avila         | American GI Forum                           | Modesto       |
| Marla Scharf      | California Dept. of Consumer Affairs        | Sacramento    |
| Cheryl Jacobsen   | California/Nevada Community Action Assoc.   | Sacramento    |
| Irene Pham        | The Cambodian Family, Inc.                  | Santa Ana     |
| Rod Wright        | Congresswoman Maxine Waters                 | Los Angeles   |
| Anna Alvarez-Boyd | Consumer Action                             | San Francisco |
| Ken McEldowney    | Consumer Action                             | San Francisco |
| Shelley Bergum    | Deaf & Disabled Telecommunications Program  | Oakland       |
| Ibrahim Naeem     | Diversity Consultant                        | San Diego     |
| Dolores Sanchez   | Eastern Group Publishing                    | Los Angeles   |
| Tommy Fulcher     | Economic & Social Opportunities Inc.        | San Jose      |
| Pablo Jasis       | Hispanic Consumer Advocate                  | Oakland       |
| Doua Vang         | Hmong Council                               | Fresno        |
| Sylvia Gonzalez   | International Institute of Los Angeles      | Los Angeles   |
| Bong Hwan Kim     | Korean Youth & Community Center             | Los Angeles   |
| Marina Pineda     | La Raza Centro Legal                        | San Francisco |
| Shannon Reeves    | NAACP                                       | Los Angeles   |
| Anni Chung        | Self Help for the Elderly                   | San Francisco |
| Audrie Kraus      | TURN  | San Francisco |
| Irene Putnam      | Union of Pan Asian Communities              | San Diego     |
| Terry Grey        | ULTS Trust Fund                             | Oakland       |
| Quang Pham        | Vietnamese Community of Orange County, Inc. | Santa Ana     |

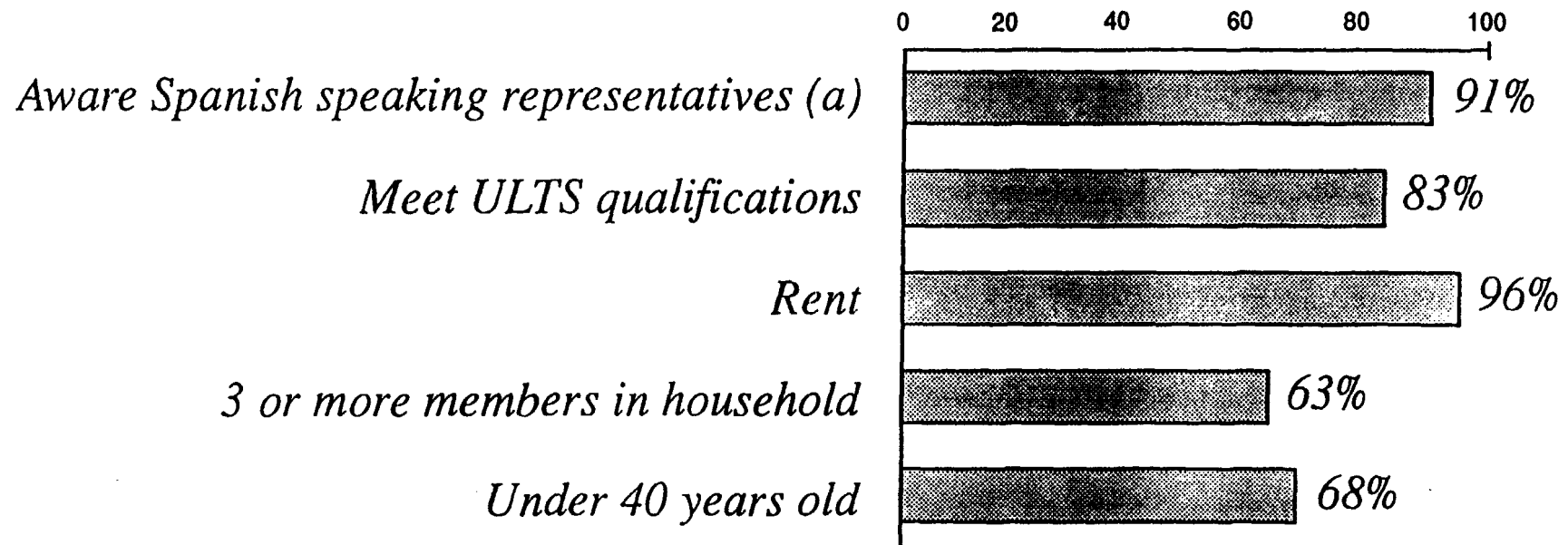
# *Non-Customer Survey: Overview of Design Plan*

- *S.F. Bay Area, L.A./Orange, San Diego, Fresno, Sacramento*
- *Block Clusters with less than 90% penetration identified*
- *250 Block Clusters selected using systematic random sampling*
- *In each Block Cluster, interviewers listed 60 households, attempted to interview all non-customers (17,215 households in total)*
- *For every non-customer interviewed, the next available customer of the same ethnicity was interviewed*
- *Interviewed 571 Non-customers, 566 Matched Customers*

# Characteristics of Non-Customers



*Prefer Spanish* 65%  
*Prefer English* 17%  
*No preference* 17%

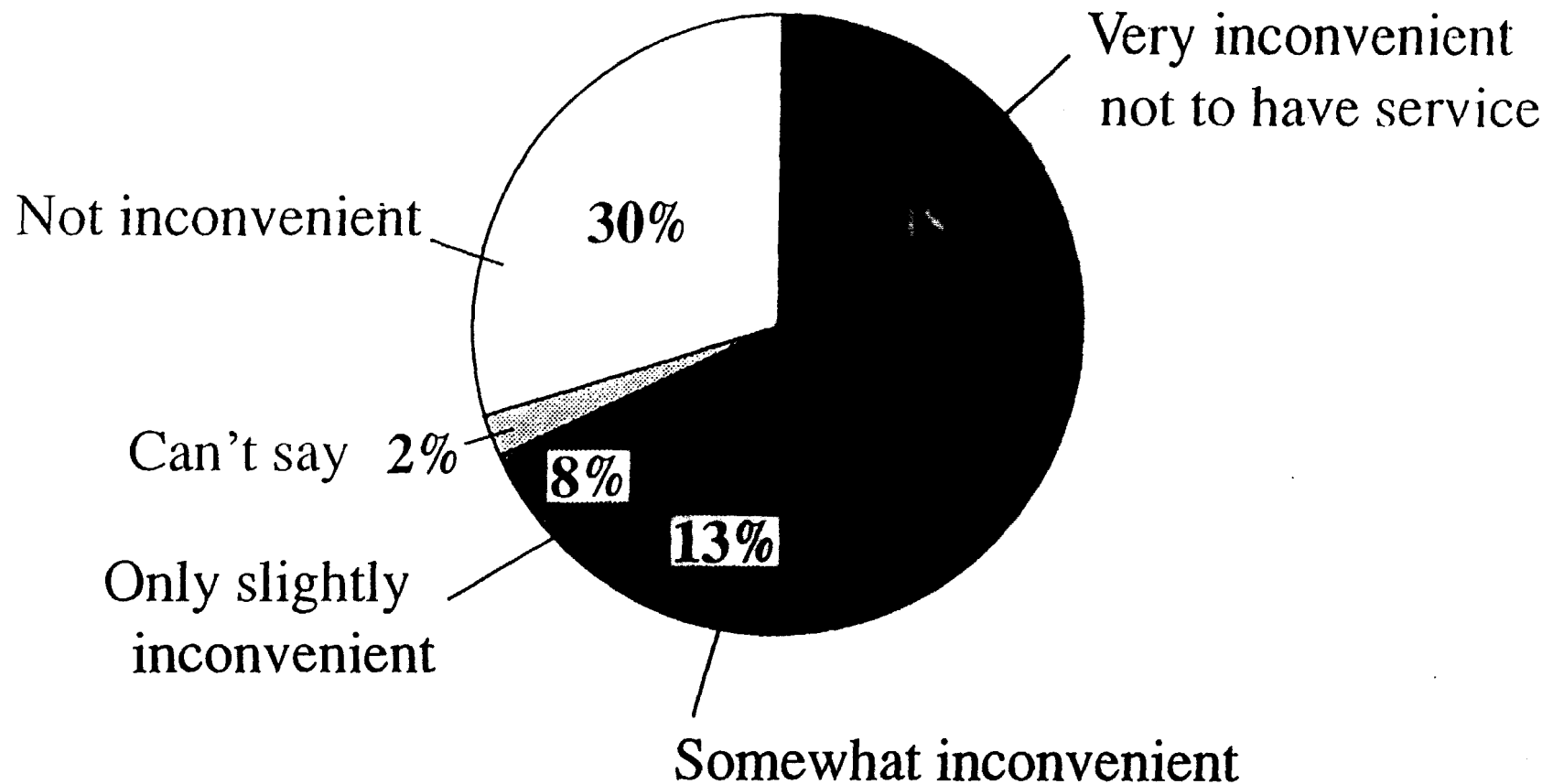


(a) among Hispanics

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## *Attitude toward Not Having Phone Service*

- Most, but not all, non-customers find it inconvenient*

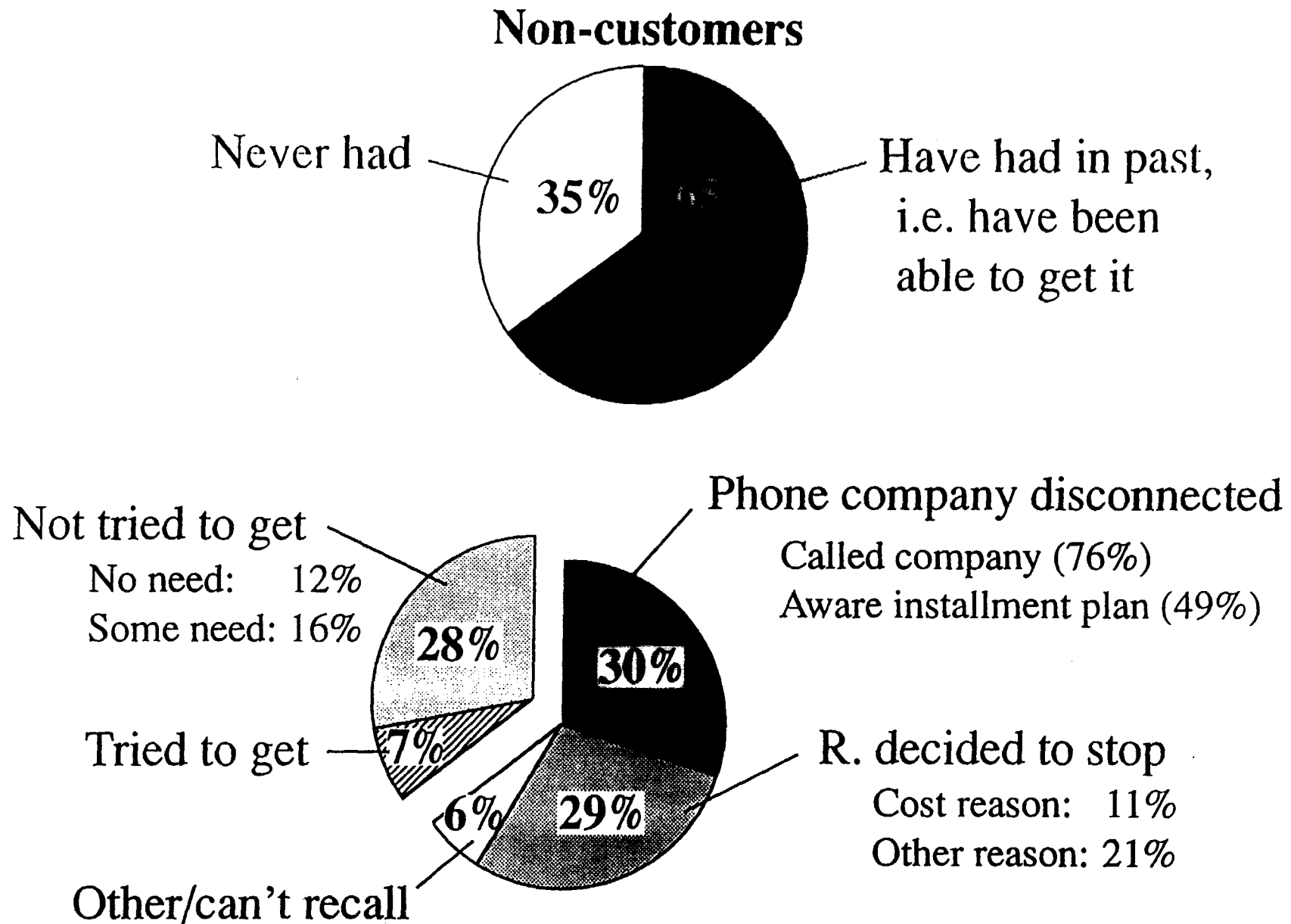


# Telephone Usage Patterns of Non-Customers

|                                      | <u>Very<br/>Inconvenient</u> | <u>Slightly/<br/>Somewhat</u> | <u>Not<br/>Inconvenient</u> |
|--------------------------------------|------------------------------|-------------------------------|-----------------------------|
| <i>Usually use —</i>                 |                              |                               |                             |
| Public, pay phone                    | 71%                          | 67%                           | 54%                         |
| Friend, neighbors' phone             | 33                           | 38                            | 32                          |
| Average # calls/week                 | 10                           | 6                             | 8                           |
| Average # pay phone calls/week       | 8                            | 3                             | 2                           |
| Median \$/month                      | \$7                          | \$5                           | \$3                         |
| <i>In emergency, nearest phone —</i> |                              |                               |                             |
| In same building                     | 34                           | 49                            | 48                          |
| Elsewhere                            | 65                           | 48                            | 47                          |
| Median minutes to reach              | 4                            | 2                             | 2                           |



# Past Experiences with Phone Service



# *Reasons Don't Have Phone Service (Non-Customers)*

- Analysis of 17 Specific Reasons*

|  | <u>Non-<br/>Customers</u> |
|--|---------------------------|
| Cost related reasons                           | 56%                       |
| Trouble controlling calls                      | 35                        |
| No need for it                                 | 27                        |
| Fear/worry/discomfort<br>calling phone company | 11                        |

# What Affects Perceived Affordability?

- Perceptions of cost more so than income affect perceived affordability

|   | Think phone service would be — |                          |                  |
|---|--------------------------------|--------------------------|------------------|
|   | <u>Very easy<br/>to afford</u> | <u>Somewhat<br/>easy</u> | <u>Difficult</u> |
| <i>What non-customers think it would cost —</i> |                                |                          |                  |
| Total monthly bill (average)                    | \$32                           | \$41                     | \$56             |
| To start service (average)                      | \$49                           | \$64                     | \$61             |
| Believe deposit is required                     | <u>54%</u>                     | <u>60%</u>               | <u>70%</u>       |
| Average amount                                  | \$59                           | \$78                     | \$78             |
| Cost of phone itself (average)                  | \$43                           | \$30                     | \$39             |
| <i>Household income</i>                         |                                |                          |                  |
| \$15,300 or less                                | 64                             | 68                       | 66               |
| Meet ULTS qualifications                        | 81                             | 83                       | 84               |
| Employed  | 42                             | 41                       | 28               |

# Awareness of ULTS

|  | <u>Low Telephone Penetration Areas</u> |                      |
|--|--|----------------------|
|  | <u>Matched customers</u>               | <u>Non-customers</u> |
| <i>Heard of something called Universal Lifeline Telephone Service?</i> |  |                      |
| Yes (know by name)   | 61%                                    | 40%                  |
| Yes, but cannot describe   | 9                                      | 14                   |
| Not heard of   | 32                                     | 46                   |
| <i>Aware special service for lower income households?</i>              |  |                      |
| Yes (know by generic)  | 12%                                    | NA                   |
| Total "know of" service  | 73%                                    | 40%-58%              |

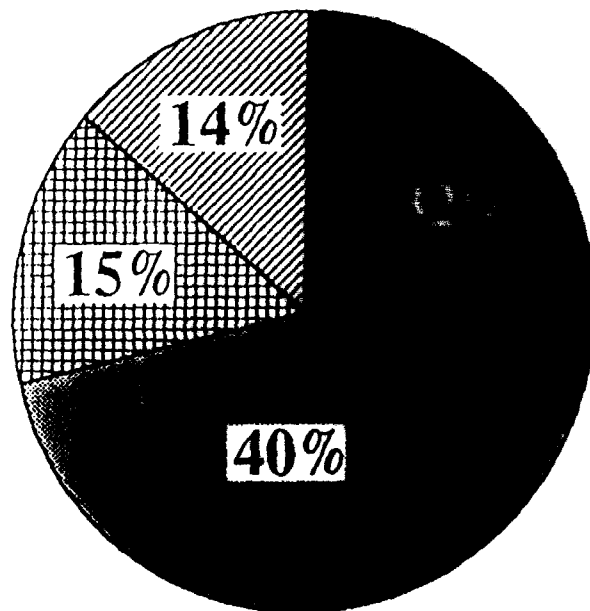
NA = Not available. Not asked due to clerical error in final proofing of questionnaire.

## *Reactions to ULTS (after Described in Detail)*

- Knowledge of ULTS increases affordability*

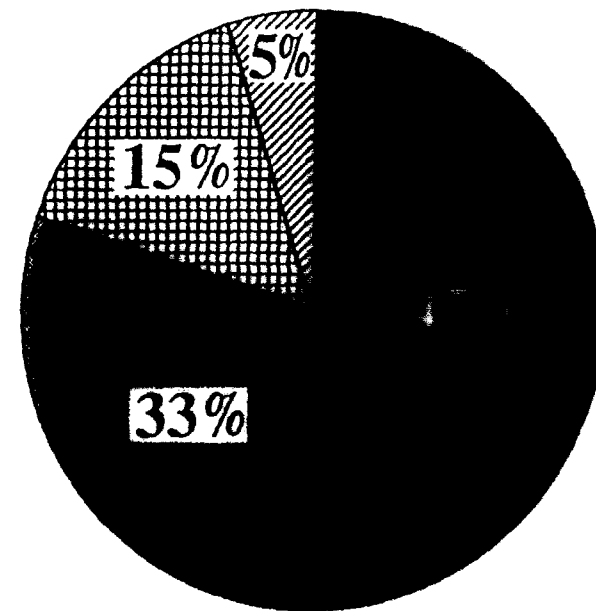


**Before ULTS**



Expected bill:  
Median    \$28

**After ULTS**



Expected bill:  
Median    \$19

(base = those who qualify for ULTS)

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